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DIRECTORATE OF INTELLIGENCE

Intelligence Memorandum

East European Grain Prospects Unfavorable as of Mid-April

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
April 1972

INTELLIGENCE MEMORANDUM

EAST EUROPEAN GRAIN PROSPECTS UNFAVORABLE AS OF MID-APRIL

Summary

1. As of mid-April, grain prospects throughout Eastern Europe(1) were less favorable than a year ago and were below average in all the southern countries and East Germany. A six-month drought throughout the region and above-normal losses from winterkill in southern countries have caused irreparable damage to winter barley and wheat. Although it is too early to make firm estimates, 1972 output of fall-sown grain – wheat, rye, and barley – may have been reduced at least 20% below last year's record level.(2)

2. Above-average precipitation will be needed before mid-May in the southern countries to prevent a further deterioration in winter grain yields. Widespread rainfall in mid-April has temporarily brightened the prospects for spring-planted grains, but soil moisture in many areas remains inadequate for sustained growth (see the map). However, because of later maturing dates, the outlook for spring-sown grains would be improved if rainfall after mid-May is above average.

3. Unless grain prospects improve substantially during the coming weeks, Eastern Europe – for the third successive year – will be forced to import larger than planned amounts of grain and high protein fodder. Total grain imports could exceed 11 million metric tons in fiscal year (FY) 1973, or at least 2 million tons more than this fiscal year. The final import level will depend largely on the extent to which Eastern Europe chooses to spend

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1. For purposes of this memorandum, the term **Eastern Europe** includes the northern countries of East Germany, Poland, and Czechoslovakia and the southern countries of Bulgaria, Hungary, and Romania plus Yugoslavia.
2. Fall-sown grains normally account for about 55% of both the total production and the area planted to grains in Eastern Europe.

Note: This memorandum was prepared by the Office of Economic Research.

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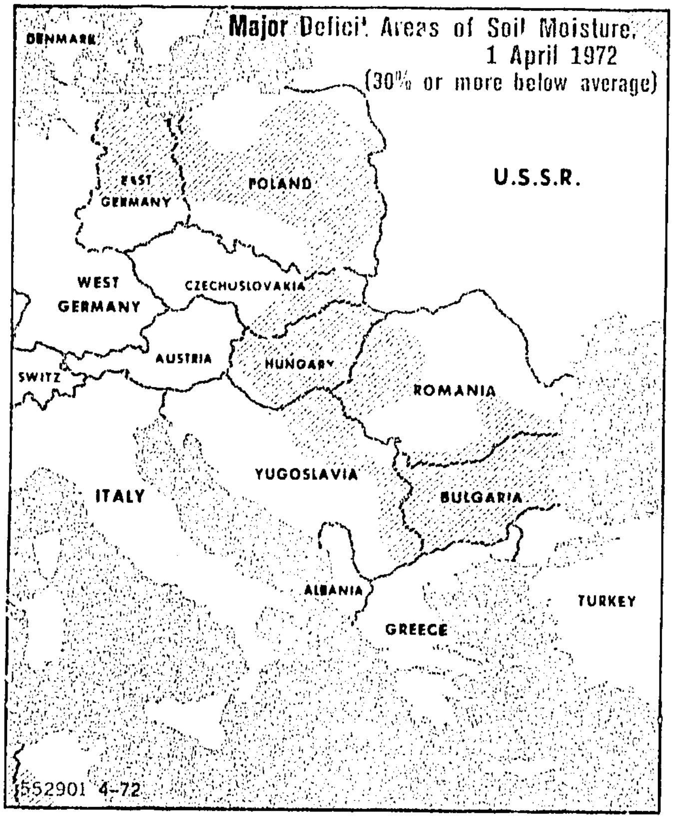

hard currency to support their high-priority livestock programs. Larger imports would be a setback, particularly to the southern countries, which had hopes of rebounding this year from balance-of-payments difficulties with the West. Given competitive credit terms, the United States should be able to increase its share of grain and soybean product exports to this potentially larger market.

Discussion

Outlook for Fall-Sown Grains Is Poor

4. Winter grains were sown last fall on a slightly larger area than in 1970 but in relatively dry soil in the northern countries and Hungary. There were reports of delayed and spotty germination of winter wheat in all four countries. Although adequate precipitation and mild weather in November-December seemed to favor plant development, the condition of winter grains by early January was rated no better than fair in most northern and southern countries. A severe cold spell in mid-January, coupled with a lack of snow cover, caused above-normal losses to barley in the northern countries and barley and wheat in the southern countries, especially Romania. Another hard freeze in March further damaged the remaining Romanian wheat.

5. The cumulative deficit of precipitation since last fall is potentially a more serious threat to the outturn of winter grains than the above-average winterkill. Soil moisture reserves as of 1 April – the most recent data –

were considerably below the long-term average in all seven countries (see the table). In the southern areas, Yugoslavia, Hungary, and Bulgaria have been hit the hardest. In a statement issued on 13 April, Yugoslav agronomists expressed concern over a possible wheat crop failure, claiming that the drought had reduced yields below the average by "15% to 20%, and that wheat imports are inevitable." General and widespread rains on 16 April, however, may have partly offset some of the worst effects of the drought in Yugoslavia, Hungary, and western Romania.

Eastern Europe: Soil Moisture Reserves as a Percent of Long-Run Average for 1 April

Country	1967	1968	1969	1970	1971	1972
Northern						
East Germany	100	97	101	100	94	70
Poland	100	96	85	95	100	70
Czecho-slovakia	100	94	100	98	99	78
Southern						
Hungary	101	68	99	105	83	54
Yugoslavia (Vojvodina)	98	86	99	104	96	58
Romania	100	83	106	107	100	85
Bulgaria	96	66	101	96	86	61

6. Officials in all the southern countries continue to exhort farmers to utilize fully the irrigation facilities to alleviate drought conditions, but shortage of equipment and low water levels in rivers and wells have reduced capacities of irrigation systems in Yugoslavia and Hungary. Rationing of water for industry in Bulgaria, Hungary, and Yugoslavia could be extended to agriculture if above-normal precipitation is not forthcoming in the near future.

7. In the northern countries, East Germany has suffered the most damage to winter grains from dry weather, and Czechoslovakia the least. Although recent rains in Poland and East Germany may have partly rejuvenated winter grains, timely and abundant rainfall will be needed throughout the northern region for the rest of the growing season if winter grain yield prospects are to improve markedly.

8. On balance, a current assessment of the 1972 winter grain output for the seven East European countries as a whole indicates a reduction of at least 20% from last year's record level. If above-average precipitation fails to materialize before mid-May in the southern countries and 1 June in the northern countries, this estimate would require a further downward adjustment.

Spring Crop Prospects Remain Uncertain

9. The planting of spring grain and other crops started sooner than usual this year but under the same poor soil moisture conditions that have affected winter crops. As a result of poor germination and poor early development, some replanting of spring grains was reported in March. Although the mid-April rains brightened crop prospects, the drought has not been broken. Given the low level of soil moisture reserves, as of 20 April there is little reason for optimism. Officials in the southern countries are especially concerned about the damage a summer drought – a frequent occurrence – would have on spring-sown crop yields, particularly corn.

10. The current adverse weather conditions will also tend to generate an above-normal demand for feed grains. First cuttings of perennial hay crops and spring growth of pastures will be much below last year and below average. The situation is worse in the southern countries, but official complaints also indicate an unfavorable situation in the northern countries. Since carryover stocks of roughage from the 1971 harvest were the smallest in years, some unplanned supplemental feeding of grain to livestock may be necessary to prevent a drop in productivity. Recent rains were helpful, but significant rainfall is still needed to rejuvenate fully the forage crops and pasturelands in most southern countries.

Probable Impact of the Shortfall in Grain Output

11. A significant shortfall in grain production would be a serious blow to high-priority government plans for boosting output of livestock products. At the beginning of 1972, numbers of high-grain-consuming animals – hogs and poultry – were at record levels in Eastern Europe. Economic plans for 1972 set even higher goals, including more beef cattle. If the drought continues, the additional shortfalls in output of feed grain and roughage for livestock probably could not be fully met through imports. As a result, farmers in most countries would be unable to maintain current inventories and productivity of livestock.

12. Given current prospects for a smaller harvest of winter grains and higher fodder requirements in Eastern Europe, grain imports in FY 1973 could exceed 11 million tons, at least 2 million tons above FY 1972. The

increase mostly reflects the higher needs of the southern countries for both wheat and feed grain. At the same time, the northern countries will be unable to reduce imports below this year's high level. Yugoslavia has already requested approval of a new $70 million Commodity Credit Corporation (CCC) line of credit to purchase 500,000 tons of wheat and 200,000 tons of corn. The corn is to be imported immediately. A request for additional credit to import more grain could be forthcoming this fall. Hungary is currently negotiating with Western brokers for about 400,000 tons of barley to be delivered after June 1972. Wheat imports also may be necessary if stocks from the bumper harvest year are insufficient. A high Romanian official has described Romanian needs for 500,000 tons of wheat and an equal quantity of corn from the United States on long-term, low-interest arrangements, at the approximate cost of $60 million. This particular request may to some extent represent "shopping around" by Bucharest. In addition to grain, it seems rather certain that East Europe's import demand for high protein feed supplements (oilcakes and meals) in FY 1973 may also go up more than planned.

13. The United States is in a good position to increase its share of this potentially large East European market for grain and high protein feeds. The current forecast of a smaller winter wheat harvest in the Soviet Union, combined with large purchases of both food and fodder grains in the international market, suggests that the USSR may be unable to expand grain exports to Eastern Europe beyond the estimated 4.6 million tons to be provided during the current trade year. The need to spend larger amounts of hard currency for agricultural imports would be a serious setback to plans of most countries for achieving a more favorable balance of payments with the West. Since current policy in all of the East European countries is directed to improving the quality of the diet, the regimes can be expected to import grain and other feedstuffs in amounts necessary at least to maintain current levels of consumption of livestock products. To prevent any serious disruption in imports of industrial goods, however, the area's trade officials will be exploring ways to import agricultural products on credit terms as liberal as possible.